

**REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL  
LEGISLATURE ON THE FINANCIAL STATEMENTS AND PERFORMANCE  
INFORMATION OF INXUBA YETHEMBA MUNICIPALITY FOR THE YEAR ENDED  
30 JUNE 2009**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying financial statements of Inxuba Yethemba Municipality which comprise the balance sheet as at 30 June 2009, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

**The accounting officer's responsibility for the financial statements**

2. The accounting officer is responsible for the preparation of these financial statements in accordance with the entity specific basis of accounting as determined by National Treasury as set out in Accounting Policy note 1 and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**The Auditor-General's responsibility**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA), my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **Basis for qualified opinion**

### **Provisions**

7. The municipality which operates landfill sites has an obligation in terms of section 28 of the National Environment Management Act, Act No. 107 of 1998 to restore such sites. The following matters came to light for the period under review:
  - The municipality does not assess the remaining useful life of landfill sites.
  - Detailed records of the capacity of landfill sites are not maintained by the municipality's engineers.

Consequently a provision for the rehabilitation of landfill site has not been raised in the financial statements. Due to the specialist nature of such a provision and lack of appropriate records, I was unable to determine the extent of this misstatement.

### **Leave Accrual**

Due to non-submission of supporting documentation I was unable to determine if the leave provision amounting to R2 314 237 was correct. As a result of insufficient monitoring and supervision the municipality did not manage the administration of leave and did not ensure that full and proper records were kept.

### **Expenditure**

8. The reasonableness of expenditure amounting to R 4 943 176, that forms part of the total other general expenditure of R16 281 187 as disclosed in the statement of financial performance, could not be verified due to a scope restriction brought about by the non-submission of supporting documentation. Alternative procedures could not address the matter and thus the possible misstatement could not be determined.

### **VAT**

9. No reconciliation was performed between the VAT liability and the VAT 201 returns as at the end of the year. Furthermore, instances were noted where I was unable to verify that input VAT had been claimed on general expenditure. As a result of these matters, I was unable to determine the extent of this effect on the potential overstatement of expenditure and the VAT liability and therefore I am unable to determine whether the VAT liability amounting to R 7 278 258 as reported in Note 11 to the financial statements is correct.

## **Qualified opinion**

11. In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements of Inxuba Yethemba Municipality have been prepared, in all material respects, in accordance with the basis of accounting as set out in accounting policy note 1 to the financial statements and in the manner required by the MFMA.

## **Emphasis of matter**

I draw attention to the following matter:

### **Basis of accounting**

10. The municipality's policy is to prepare financial statements on an entity specific basis of accounting as set out in accounting policy note 1 to the financial statements.

### **Other matters**

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

### **Non-compliance with applicable legislation**

#### **11. Environmental Conservation Act**

The Provincial Environmental Plan did not contain details of activities that the municipality should perform to ensure compliance with the plan as prescribed by section 4 subsection (2) and (3).

The municipality does not have a permit to operate waste disposal sites as required in terms of section 20(1)(a).

The municipality could not provide details regarding the condition of the landfill sites, the restoration plan is in draft format and no measures are in place to assess the impact on the environment as prescribed by section 28(1).

#### **12. Municipal Finance Management Act**

A number of fixed assets and infrastructure assets recorded in the assets register could not be verified, furthermore assets that were not in a working condition were not written off. This is in contravention with section 63(a) that states that the accounting officer is responsible for the management of assets including the safeguarding and maintenance thereof.

### **Governance framework**

13. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

#### **Internal control deficiencies**

14. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for qualified opinion	CE	RA	CA	IC	M
7	Waste Management	✓				
7	Leave Provision	✓				
8	Expenditure	✓		✓		
9	VAT	✓				

Legend	
CE = Control environment	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/accounting authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
RA = Risk assessment	
Management has not specified financial reporting objectives to enable the identification of risks to reliable financial reporting.	1
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
CA = Control activities	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and the security of the data.	2
Manual or automated controls are not designed to ensure that the transactions have occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
IC = Information and communication	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2

Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
<b>M = Monitoring</b>	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Neither reviews by internal audit or the audit committee nor self -assessments are evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

### Key governance responsibilities

15. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		✓
<b>Quality of financial statements and related management information</b>			
2	The financial statements were not subject to any material amendments resulting from the audit.		✓
3	The annual report was submitted for consideration prior to the tabling of the auditor's report.		✓
<b>Timeliness of financial statements and management information</b>			
4	The annual financial statements were submitted for auditing as per the legislated deadlines (Section 126 of the MFMA).	✓	
<b>Availability of key officials during audit</b>			
5	Key officials were available throughout the audit process.		✓
<b>Development and compliance with risk management, effective internal control and governance practices</b>			
6	Audit committee		
	<ul style="list-style-type: none"> <li>The municipality had an audit committee in operation throughout the financial year.</li> </ul>		✓
	<ul style="list-style-type: none"> <li>1. The audit committee operates in accordance with approved, written terms of reference.</li> </ul>		✓
	<ul style="list-style-type: none"> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in Section 166(2) of the MFMA.</li> </ul>		✓
7	Internal audit		
	<ul style="list-style-type: none"> <li>The municipality had an internal audit function in operation throughout the financial year.</li> </ul>	✓	



	2. The internal audit function operates in terms of an approved internal audit plan.		✓
	3. The internal audit function substantially fulfilled its responsibilities for the year, as set out in Section 165(2) of the MFMA/		✓
8	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		✓
9	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		✓
10	The information systems were appropriate to facilitate the preparation of the financial statements.	✓	
11	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in Section 62(c) of the MFMA.		✓
12	Delegations of responsibility are in place, as set out in Section 79 of the MFMA.		✓
<b>Follow-up of audit findings</b>			
13	The prior year audit findings have been substantially addressed.		✓
14	Oversight resolutions have been substantially implemented.		✓
<b>Issues relating to the reporting of performance information</b>			
15	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		✓
16	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		✓
17	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Municipality against its mandate, predetermined objectives, outputs, indicators and targets Section 68 of the MFMA municipalities.		✓
18	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		✓

### **Overall reflections/conclusion on the governance framework based on other key governance requirements**

16. Monitoring of controls by the leadership and management is not in place to ensure that all information disclosed in the annual financial statements are valid, accurate and complete. The lack of availability of key officials has contributed to the delays experienced throughout the audit.
17. The control environment within the municipality is not conducive to good governance and accountability as management has not ensured that the risk management processes and internal audit function have received the appropriate attention. The audit committee is an essential component in achieving good governance and accountability but was not effective throughout the year and it is hampered by the poor control environment and the ineffective internal audit function. The internal audit function needs to be capacitated and staffed with appropriate skills.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Report on performance information**

18. I was engaged to review the performance information.

### **The accounting officer's responsibility for the performance information**

19. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

### **The Auditor-General's responsibility**

20. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.

21. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.

### **Audit findings (performance information)**

#### **Performance information not received in time**

22. An assessment could not be performed on the reliability of the reported performance information, as set out on pages xx to xx of the annual report, since the information was not received in time for audit purposes.

## APPRECIATION

23. The assistance rendered by the staff of Inxuba Yethemba Municipality during the audit is sincerely appreciated.

*Auditor General.*

EAST LONDON

30 November 2009



**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*





A U D I T O R - G E N E R A L

The Accounting Officer

Inxuba Yethemba Municipality  
P.O Box 24  
Cradock  
5880

28 November 2008

Reference: 21302REG07-08

Dear Sir

**Report of the Auditor-General on the financial statements and performance information of Inxuba Yethemba Municipality for the year ended 30 June 2008**

The above-mentioned report of the Auditor-General is submitted herewith in terms of section 21(1) of the Public Audit Act, 2004 (Act No. 25 of 2004) read in conjunction with section 188 of the Constitution of the Republic of South Africa, 1996 and section 121(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA).

In terms of sections 121(3) and 127(2) of the MFMA municipalities have to include the audit report in the municipality's annual report for tabling within seven months after the end of the financial year.

Until tabled as required by section 127(2) the report is **not a public document** and should therefore be treated as **confidential**.

As your municipality will be responsible for publishing the attached audit report as part of the annual report, you are required to do the following:

- Submit the final printer's proof of the annual report (which includes the audit report) to the relevant audit manager of the Auditor-General for verification of the audit-related references before it is printed or copied. Special care should be taken with the page references in your report, since an incorrect reference could have audit implications.
- The signature *Auditor-General* in the handwriting of the auditor authorised to sign the audit report at the end of the hard copy of the audit report should be scanned in when preparing to print the report. This signature, as well as the place and date of signing and the Auditor-General's logo, should appear at the end of the report, as in the hard copy that is provided to you. The official logo will be made available to you in electronic format.

Please notify the undersigned Business Executive well in advance of the date on which the audit report, or the annual report containing this audit report, will be tabled at the municipality.

Your cooperation to ensure that all these requirements are met would be much appreciated.

Kindly acknowledge receipt of this letter.

Yours sincerely

Signed

A handwritten signature in black ink, appearing to be 'Daneal Hibbers', written over a horizontal dotted line.

Senior Manager

Enquiries: Daneal Hibbers  
Telephone: (043) 709 7200  
Fax: (043) 709 7300  
Email: [danealh@agsa.co.za](mailto:danealh@agsa.co.za)

**REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL  
LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND  
PERFORMANCE INFORMATION OF INXUBA YETHEMBA MUNICIPALITY FOR  
THE YEAR ENDED 30 JUNE 2008**

**REPORT ON THE FINANCIAL STATEMENTS**

**Introduction**

1. I have audited the accompanying financial statements of Inxuba Yethemba Municipality which comprise the balance sheet as at 30 June 2008, income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages [xx] to [xx].

**Responsibility of the accounting officer for the financial statements**

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the entity-specific basis of accounting, as set out in accounting policy note 1.1, and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act, 2007 (Act No. 1 of 2007 (DoRA). This responsibility includes:
  - designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - selecting and applying appropriate accounting policies
  - making accounting estimates that are reasonable in the circumstances.

**Responsibility of the Auditor-General**

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

6. An audit also includes evaluating the:
- appropriateness of accounting policies used
  - reasonableness of accounting estimates made by management
  - overall presentation of the financial statements.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Basis of accounting**

8. The Municipality's policy is to prepare financial statements on the entity-specific basis of accounting, as set out in accounting policy note 1.1.

**Basis for qualified opinion**

**Fixed Assets**

9. Material prior year errors, as reported in the Report of the Auditor General for the year ending 30 July 2007 has not been adjusted for. These errors relate to unreconcilable differences between the general ledger and the fixed asset register, amounting to R3 107 674, and a limitation of scope due to unsubstantiated adjustments of R20 648 893 made on fixed assets. I was therefore unable to satisfy myself, with regard to the valuation, existence, rights and obligations and the completeness of the opening balance of the fixed assets. Accordingly I am unable to express any opinion with regard to the valuation, existence, rights and obligations and the completeness of fixed assets of R 179 642 401 as disclosed in the balance sheet.
10. Sufficient appropriate audit evidence could not be provided for expenditure, totaling R580 000, relating to infrastructure projects. I was therefore unable to obtain sufficient assurance, even by alternative means, with regard to the accuracy and occurrence of the relevant expenditure.
11. A difference, of R 265 784 exists between the bank and cash balance as disclosed in the balance sheet and the underlying general ledger reconciliation. In effect the bank and cash item on the balance sheet is under stated by the said amount.
12. The Municipality paid salaries amounting to R 3 000 000 using funds from the Drought Relief Fund. This constitutes unauthorized expenditure as this operating expenditure was paid using a conditional grant for purposes other than specified in the grant.

**Qualified opinion**

13. In my opinion, except for the effects of any such adjustments, if any as might have been determined to be necessary had I been able to satisfy myself as to the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of Inxuba Yethemba Municipality as at 30 June 2008 and its financial performance and cash flows for the year then ended, in accordance with the identified basis of accounting (*per par. 8*) and in the manner required by the MFMA.

## **Emphasis of matters**

I draw attention to the following matters:

### **Going concern**

14. The ability of the municipality to continue to render uninterrupted services to stakeholders in future has been considered and in this regard the following matters identified suggest that the outlook for future trading activities is not favorable:
- The collection of overdue amounts due to the municipality by customers remains a constant factor facing the municipality. Although management has introduced additional measures during the course of the year under review to facilitate cash collection, the likelihood of significant success in the immediate future is doubtful. As a result, the adverse effect on cash flows is expected to remain in the foreseeable future.
  - The municipality's balance sheet reflects an insolvent position and its accumulated losses amount to R25 722 310.
  - The balance of debtors that was deemed irrecoverable was R60 072 081, being debtors (excluding indigents) that are more than 90 days old. Debtors' days have also increased from 377 to 425 days. The situation indicates the existence of material uncertainty that may cast significant doubt on the Municipality's ability to continue as a going concern. The financial statements do not disclose this fact.

## **Highlighting critically important matters presented or disclosed in the financial statements**

### **Irregular, Fruitless and wasteful expenditure**

- 15 As disclosed in note 35 to the financial statements, the Municipality incurred the following costs, interest levied on late payment of compensation for occupational injuries R 15 690, interest on late payment of VAT R 8 322 and penalties levied on late payment on occupational injuries R 28 654. These costs represent fruitless and wasteful expenditure.
16. As disclosed in note 36 to the financial statements, the Municipality exceeded its approved overdraft limit by R 400 649. This excess was not approved by Council and thus represents irregular expenditure.
17. As disclosed in note 36 to the financial statements, the Municipality overspent on the following conditional grants Vusubuntu and Transformation by R 79 461. This excess was not approved by Council and thus is irregular expenditure.

## **OTHER MATTERS**

I draw attention to the following matters that are ancillary to my responsibilities in the audit of the financial statements:

### **Internal controls**

18. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the Municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the inefficiencies in the system of

internal control, which led to the qualified opinion. The root causes are categorised according to the five components of an effective system of internal control. In some instances deficiencies exist in more than one internal control component.

Reporting item	Control environment	Risk assessment	Control activities	Information and communication	Monitoring
Opening Balances					✓
Infrastructure Projects	✓				
Revenue	✓		✓		✓
Expenditure	✓		✓		✓
Cash and Bank	✓		✓		✓
VAT	✓		✓		✓

Control environment: establishes the foundation for the internal control system by providing fundamental discipline and structure for financial reporting.

Risk assessment: involves the identification and analysis by management of relevant financial reporting risks to achieve predetermined financial reporting objectives.

Control activities: policies, procedures and practices that ensure that management's financial reporting objectives are achieved and financial reporting risk mitigation strategies are carried out.

Information and communication: supports all other control components by communicating control responsibilities for financial reporting to employees and by providing financial reporting information in a form and time frame that allows people to carry out their financial reporting duties.

Monitoring: covers external oversight of internal controls over financial reporting by management or other parties outside the process; or the application of independent methodologies, like customised procedures or standard checklists, by employees within a process.

## Material non-compliance with applicable legislation

19. Section 30(1) of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004) requires a municipality to perform a general valuation and maintain a valuation roll for properties within the municipality's jurisdiction for purposes of levying rates. However, the last valuation roll for the Municipality was prepared in 2002 and no other subsequent supplementary valuations were done.
20. The Municipality, which operates landfill sites, has an obligation in terms of S 28 of the National Environment Management Act, No 107 of 1998 to restore such sites. The municipality does not assess the remaining useful life of landfill sites. Detailed records of the capacity of landfill sites are not maintained by the municipality's engineers. Consequently, a provision for the rehabilitation of landfill sites has not been raised in the financial statements. Due to the specialist nature of such a provision and lack of appropriate records, I was unable to determine the extent of the misstatement.

## Matters of Governance

21. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to

achieving this is the implementation of certain key governance responsibilities, which we have assessed as follows:

No.	Matter of governance	Yes	No
<b>Audit committee</b>			
	• The municipality had an audit committee in operation throughout the financial year.		No
	• The audit committee operates in accordance with approved, written terms of reference.		No
	• The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.		No
<b>Internal audit</b>			
	• The municipality had an internal audit function in operation throughout the financial year.		No
	• The internal audit function operates in terms of an approved internal audit plan.		No
	• The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.		No
<b>Other matters of governance</b>			
	• The annual financial statements were submitted for audit as per the legislated deadlines for municipalities (section 126 of the MFMA).	Yes	
	• The annual report was submitted to the auditor for consideration prior to the date of the auditor's report.		No
	• The financial statements submitted for audit were not subject to any material amendments resulting from the audit.	Yes	
	• No significant difficulties were experienced during the audit concerning delays or the unavailability of expected information and/or the unavailability of senior management.		No
	• The prior year's external audit recommendations have been substantially implemented.		No
<b>Implementation of GRAP</b>			
	• The municipality submitted an implementation plan, detailing progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 30 October 2007.	Yes	
	• The municipality substantially complied with the implementation plan it submitted to the National Treasury and the relevant provincial treasury before 30 October 2007, detailing its progress towards full compliance with GRAP.	Yes	
	• The municipality submitted an implementation plan, detailing further progress towards full compliance with GRAP, to the National Treasury and the relevant provincial treasury before 31 March 2008.	Yes	

## OTHER REPORTING RESPONSIBILITIES

### REPORT ON PERFORMANCE INFORMATION

22. I was engaged to audit the performance information.

#### Responsibility of the accounting officer



23. In terms of section 121(3)(c) of the MFMA, the annual report of a Municipality must include the annual performance report of the Municipality prepared by the Municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

#### **Responsibility of the Auditor-General**

24. I conducted my engagement in accordance with section 13 of the Public Audit Act, 2004 (Act No. 25 of 2004) read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
25. In terms of the foregoing my engagement included performing procedures of an audit nature to obtain sufficient appropriate audit evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgment.
26. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the audit findings reported below.

#### **Audit findings**

##### **Non-compliance with regulatory requirements**

##### **Existence and functioning of a performance audit committee**

27. Inxuba Yethemba Municipality did not appoint and budget for a performance audit committee, neither was another audit committee utilized as the performance audit committee.

##### **Internal auditing of performance measurements**

28. Inxuba Municipality did not develop and implement mechanisms, systems and processes for auditing the results of performance measurement as part of its internal audit processes, as required in terms of section 45 of the Municipal Systems Act.

#### **APPRECIATION**

29. The assistance rendered by the staff of Inxuba Yethemba Municipality during the audit is sincerely appreciated.



East London

28 November 2008



A U D I T O R - G E N E R A L

